

HOUSE BILL NO. 703

INTRODUCED BY B. BERGREN

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE METHOD OF DETERMINING THE VALUE OF RAILROAD SYSTEMS FOR PROPERTY TAXATION PURPOSES; REQUIRING RAILROADS TO REPORT THE AVERAGE AGRICULTURAL COMMODITY FREIGHT RATE CHARGED BY THE RAILROAD FOR SHIPPERS IN MONTANA FOR THE MOST RECENTLY COMPLETED CALENDAR YEAR AND THE AVERAGE AGRICULTURAL COMMODITY FREIGHT RATE CHARGED BY THE COMPANY FOR SHIPPERS OUTSIDE OF MONTANA FOR THE MOST RECENTLY COMPLETED CALENDAR YEAR; PROVIDING FOR A VALUATION ADJUSTMENT BASED ON AVERAGE AGRICULTURAL COMMODITY FREIGHT RATES; AND AMENDING SECTIONS 15-23-204 AND 15-23-205, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-23-204, MCA, is amended to read:

"15-23-204. Assessment of railroads. The president, secretary, or managing agent or such other officer as the department of revenue may designate of any corporation and each person or association of persons owning or operating any railroad in more than one county in this state or more than one state must on or before April 15 each year furnish the department a statement signed and sworn to by one of ~~such~~ the officers or by the person or one of the persons forming ~~such~~ the association, showing in detail for the year ending December 31 immediately preceding:

(1) the whole number of miles of railroad in the state and, where the line is partly out of the state, the whole number of miles ~~without~~ outside of the state and the whole number within the state, owned or operated by ~~such~~ the corporation, person, or association;

(2) the value of the roadway, roadbed, and rails of the whole railroad and the value of the same within the state;

(3) the width of the right-of-way;

(4) the number of each kind of all rolling stock used by ~~such~~ the corporation, person, or association in operating the entire railroad, including the part ~~without~~ outside of the state;

(5) the number, kind, and value of rolling stock owned and operated in the state;

1 (6) the number, kind, and value of rolling stock used in the state but not owned by the party making the
2 returns;

3 (7) the number, kind, and value of rolling stock owned but used ~~out~~ outside of the state, either upon
4 divisions of road operated by the party making the returns or by and upon other railroads;

5 (8) the whole number of sidetracks in each county, including the number of miles of track in each
6 railroad yard in the state;

7 (9) the number of each kind of rolling stock used in operating the entire railroad, including the part
8 ~~without~~ outside of the state, which must include a detailed statement of the number and value ~~thereof~~ of all
9 engines; passenger, mail, express, baggage, freight, and other cars; or property owned or leased by ~~such~~ the
10 corporation, person, or association;

11 (10) the number of sleeping and dining cars not owned by ~~such~~ the corporation, person, or association
12 but used in operating the railroads of ~~such~~ the corporation, person, or association in the state or on the line of
13 the road ~~without~~ outside of the state during each month of the year for which the return is made; ~~also~~ and the
14 number of miles each month the cars have been run or operated within and ~~without~~ outside of the state;

15 (11) a description of the road, giving the points of entrance into and the points of exit from each county,
16 with a statement of the number of miles in each county. When a description of the road has once been given,
17 no other annual description ~~thereof~~ of the road is necessary unless the road has been changed. Whenever the
18 road or any portion of the road is advertised to be sold or is sold for ~~taxes, either state or county~~ taxes, no other
19 description is necessary than that given by, and the ~~same~~ description is conclusive upon, the person,
20 corporation, or association giving the description. ~~No~~ An assessment is may not be invalid ~~on account~~ because
21 of a misdescription of the railroad or the right-of-way ~~for the same~~. If ~~such~~ a statement is not furnished ~~as above~~
22 ~~provided~~, the assessment made by the department upon the property of the corporation, person, or association
23 failing to furnish the statement is conclusive and final.

24 (12) the gross earnings of the entire road;

25 (13) the gross earnings of the road within the state and, if the railroad is let to other operators, how much
26 was derived by the lessor as rental;

27 (14) the cost of operating the entire road, exclusive of sinking fund, expenses of land department, and
28 money paid to the United States;

29 (15) net income for ~~such~~ the year and amount of dividend declared;

30 (16) capital stock authorized;

(17) capital stock paid in;
(18) funded debt;
(19) number of shares authorized;
(20) number of shares of stock issued;
(21) number, kind, and total number of miles traveled within the state by railroad cars owned by railroad car companies; ~~and~~
(22) the average agricultural commodity freight rate charged by the railroad for shippers in Montana for the most recently completed calendar year and the average agricultural commodity freight rate charged by the company for shippers outside of Montana for the most recently completed calendar year; and
~~(22)~~(23) any other facts the department may require."

Section 2. Section 15-23-205, MCA, is amended to read:

"15-23-205. Assessment -- how made. (1) The department shall assess the railroad transportation property of all railroads operated in more than one county or more than one state as provided in this section. Assessment must be made to the person owning or leasing or using the property and must be made upon the entire railroad within the state.

(2) The department shall determine the value of the railroad system for the current year by:
(a) multiplying the base value of the railroad by the value change factor determined under subsection (3); and

(b) if the railroad charges average agricultural commodity freight rates for shippers in Montana that are higher than the average agricultural commodity freight rates charged by the railroad for shippers outside Montana, then the amount determined in subsection (2)(a) multiplied by a factor that is the quotient obtained by dividing the railroad's average agricultural commodity freight rates charged for shippers in Montana for the most recently completed calendar year by the railroad's average agricultural commodity freight rates charged for shippers outside of Montana for that calendar year.

(3) (a) The value change factor is the sum of the income change factor, weighted by 50%, the gross profit margin change factor, weighted by 25%, and the property change factor, weighted by 25%.

(b) The income change factor is determined by dividing the change in earnings by the change in the capitalization rate.

(c) The gross profit margin change factor is determined by dividing the average gross profit margin for

the 2 years immediately preceding the current tax year by the average gross profit margin for the 2 years immediately preceding the previous tax year.

(d) The property change factor is determined by dividing the system cost reported by the railroad for the tax year immediately preceding the current tax year by the system cost reported by the railroad for the tax year immediately preceding the previous tax year.

(4) The department shall apportion the system value of the railroad to Montana by multiplying the system value of the railroad determined under subsection (2) by the average of the allocation factor for the 2 years immediately preceding the current tax year. The allocation factor is determined under subsection (5).

(5) The allocation factor used to apportion the system value of the railroad to Montana is the average of the sum of:

(a) the ratio of track miles in the state to total system track miles;

(b) the ratio of revenue ton miles in the state to total system revenue ton miles;

(c) the ratio of gross investment in road and equipment in the state to total system gross investment in road and equipment;

(d) the ratio of operating revenue reported in the state to total system operating revenue; and

(e) the ratio of railroad car and locomotive miles in the state to total system railroad car and locomotive miles.

(6) The department shall take into account extenuating circumstances to adjust the assessed value of railroad property in the state. Occurrences that may result in an adjustment to the assessed value of railroad property include but are not limited to:

(a) extraordinary, unusual, or infrequent events that are material in nature and of a character different from the typical or customary business operations, that are not expected to recur frequently, and that are not normally considered in the evaluation of the operating results of a business; and

(b) material increases or decreases in income and property as a result of events such as writeoffs, writedowns, and changes in accounting methods or practices.

(7) In determining the taxable value of railroad property, the department shall determine the percentage rate "R" provided for in 15-6-145 in order to achieve compliance with the requirements of the federal Railroad Revitalization and Regulatory Reform Act of 1976, as amended."

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